

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 19240 01 OF 03 141111Z

15

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 CEA-01

SAJ-01 /083 W

----- 065485

R 141055Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6827

INFO USMISSION USBERLIN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

AMEMBASSY BERLIN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LONDON

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 03 BONN 19240

E.O. 11652: N/A

TAGS: PINT, GW

SUBJECT: CHANCELLOR SCHMIDT'S DOMESTIC POLITICAL  
PROBLEMS

SUMMARY: CHANCELLOR SCHMIDT'S IMPRESSIVE PERFORMANCE  
ON THE INTERNATIONAL SCENE HAS TENDED TO OBSCURE HIS  
POLITICAL DIFFICULTIES AT HOME. HE IS FACED WITH  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 19240 01 OF 03 141111Z

ECONOMIC PROBLEMS (SOME BEYOND HIS CONTROL GIVEN THE

IMPORTANCE OF THE WORLD ECONOMY TO THE EXPORT-ORIENTED GERMAN ECONOMY) AS WELL AS POLITICAL PROBLEMS IN THE SPDFDP COALITION AND WITHIN THE SOCIAL DEMOCRATIC PARTY ITSELF. HOW HE AND HIS GOVERNMENT COPE WITH THESE PROBLEMS IS ESPECIALLY IMPORTANT BECAUSE OF KEY LAND ELECTIONS IN 1975 AND THE BUNDESTAG ELECTIONS IN 1976. SCHMIDT, HOWEVER, IS TOUGH MINDED, INTELLIGENT AND DECISIVE AND IT IS TOO EARLY TO WRITE OFF HIS AND THE SPD'S CHANCES FOR SUCCESS DESPITE THE PRESENT POLITICAL TRENDS AGAINST THE SPD. END SUMMARY

1. CHANCELLOR HELMUT SCHMIDT'S IMPRESSIVE PERFORMANCE ON THE INTERNATIONAL SCENE (E.G., HIS VISIT TO WASHINGTON, THE EC SUMMIT, HIS APPEARANCE BEFORE THE BRITISH LABOR CONFERENCE, ETC.) HAS TENDED TO OBSCURE SOME OF HIS POLITICAL DIFFICULTIES AT HOME. HOW HE WILL COPE WITH THESE DIFFICULTIES GIVEN THE KEY LAND ELECTIONS IN 1975 AND THE BUNDESTAG ELECTION IN 1976 WILL NOT ONLY DETERMINE THE STRENGTH OF HIS GOVERNMENT BUT WILL DECIDE IF HE AND THE SPD WILL REMAIN IN POWER. MANY OF THESE PROBLEMS ARE CLOSELY INTER-RELATED AND ACT UPON EACH OTHER. HOWEVER, IT IS USEFUL FOR PURPOSES OF CLARITY TO LOOK AT THEM SEPARATELY.

2. THE ECONOMY: SCHMIDT IS FACED WITH ECONOMIC PROBLEMS: GROWING UNEMPLOYMENT, ECONOMIC STAGNATION AND INFLATION. THE ARGUMENT THAT GERMANS ARE BETTER OFF THAN THEIR WESTERN NEIGHBORS HAS NOT PROVED TO HAVE BEEN EFFECTIVE IN PREVENTING FEARS ABOUT THE ECONOMIC SITUATION FROM HURTING THE SPD (AND FDP) AT THE POLLS. GERMAN VOTERS PERCEIVE THEIR ECONOMIC SITUATION BY COMPARING IT WITH WHAT IT HAS BEEN IN GERMANY AND WHAT THEY EXPECT IT TO BE IN GERMANY, AS WELL AS WITH THE SITUATION IN NEIGHBORING COUNTRIES. SCHMIDT'S DILEMMA IS COMPOUNDED BY A PARTICULAR PROBLEM OF TIMING. THAT IS, AN INJECTION OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 19240 01 OF 03 141111Z

PUBLIC FUNDS INTO THE ECONOMY AT THIS TIME WILL HAVE LITTLE DIRECT EFFECT ON THE ACTUAL ECONOMIC SITUATION BY SPRING OF NEXT YEAR. SUCH MEASURES DO, HOWEVER, GIVE THE APPEARANCE OF A GOVERNMENT COMING TO GRIPS WITH THE PROBLEM. SERIOUS POLITICAL DEFEATS IN THE LAND ELECTIONS, ESPECIALLY IN THE HEAVILY INDUSTRIALIZED AND POPULATED NORTH RHINE-WESTPHALIA (ONE-THIRD OF THE POPULATION

OF THE FRG LIVE THERE) COULD WEAKEN THE SPD, NOT  
TO MENTION THE BONN COALITION, TO A POINT  
THAT IT MIGHT NOT RECOUP IN THE 1976 BUNDESTAG  
ELECTIONS. SCHMIDT'S TASK, THEREFORE, IS TO GIVE  
THE APPEARANCE OF MANAGING THE ECONOMY ENOUGH TO  
CHANGE THE PSYCHOLOGICAL CLIMATE IN 1975 AND  
HOPEFULLY SPUR AN UPSWING THROUGH THE 1976  
ELECTIONS WHICH WILL TAKE PLACE IN THE LAST QUARTER  
OF THE YEAR.

2. THE COALITION: RECENT ELECTION DEFEATS FOR THE  
FDP IN HESSE AND BAVARIA HAVE FURTHER AGGRAVATED  
THE TENSIONS WITHIN THE SOCIAL-LIBERAL COALITION  
WHICH HAS NEVER BEEN AS HARMONIOUS UNDER THE  
SCHMIDT-GENSCHER LEADERSHIP AS IT WAS IN THE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 19240 02 OF 03 141117Z

15

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 CEA-01

SAJ-01 /083 W

----- 065539

R 141055Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6828

INFO USMISSION USBERLIN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

AMEMBASSY BERLIN

AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY LONDON  
USMISSION EC BRUSSELS  
USMISSION NATO BRUSSELS

LIMITED OFFICIAL USE SECTION 02 OF 03 BONN 19240

BRANDT-SCHEEL DAYS. THE FDP, CONVINCED THAT  
THE LIBERAL PARTY SUFFERED AT THE POLLS BECAUSE OF  
A TOO CLOSE IDENTIFICATION WITH A DECLINING  
SPD, HAS BEGUN TO SEEK WAYS OF DISTINGUISHING ITS  
POLICIES FROM ITS SENIOR COALITION PARTNER.  
THIS IS NOT ONLY A MATTER OF POLITICAL EXPEDIENCY  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 19240 02 OF 03 141117Z

BUT ALSO REFLECTS SOME SIGNIFICANT PHILOSOPHICAL  
AND POLITICAL DIFFERENCES BETWEEN THE TWO  
PARTIES ON IMPORTANT ISSUES SUCH AS GOVERNMENT  
ANTI-RECESSION MEASURES AND LABOR CO-DETERMINATION  
(MITBESTIMMUNG). THE CABINET, AFTER HEATED  
DEBATE IN PUBLIC BETWEEN THE COALITION PARTNERS,  
WORKED OUT A COMPROMISE WHICH TOOK INTO ACCOUNT  
FDP ECONOMIC MINISTER FRIDERICH' MORE  
CONSERVATIVE APPROACH TOWARD EXPANSIONARY POLICIES  
AS COMPARED WITH SPD FINANCE MINISTER APEL'S.  
IN BOTH CASES, THOUGH, THE MAGNITUDES IN RANGE  
OF DM 2 BILLION FOR EXPENDITURE PROGRAMS IS  
NOT VERY GREAT IN RELATION TO THE SIZE OF THE  
ECONOMY. IT IS LIKELY THAT SUCH DIFFERENCES WILL  
CONTINUE TO SURFACE AS WE MOVE INTO THE ELECTION  
CAMPAIGNS. IF, FOR EXAMPLE, THE FDP FAILS TO  
GAIN THE FIVE PERCENT IN NORTH RHINE-WESTPHALIA  
NECESSARY FOR REPRESENTATION TO ENTER THE  
LANDTAG, THERE IS A QUESTION OF WHETHER THE  
SOCIAL-LIBERAL COALITION WOULD CONTINUE IN BONN.

3. INTERNAL SPD PROBLEMS: THE DIVISION OF LABOR  
BETWEEN SCHMIDT AS CHANCELLOR AND BRANDT AS  
PARTY LEADER HAS NOT PROVED VERY SATISFACTORY.  
NOT ONLY DOES BRANDT HARBOR SOME ILLUSIONS ABOUT  
BEING RECALLED TO POWER BY HIS PARTY, BUT THE  
TWO MEN ARE TEMPERAMENTALLY, PHILOSOPHICALLY  
AND POLITICALLY QUITE DIFFERENT. SCHMIDT HAS  
BEEN CRITICIZED FOR GOVERNING AROUND THE PARTY  
(I.E., NOT CONSULTING THE PARTY ON POLITICAL  
AFFAIRS) AND FOR NOT TAKING AN ACTIVE ROLE IN

PARTY AFFAIRS. HE, FOR EXAMPLE, DID NOT PLAY A MAJOR ROLE IN THE HESSE OR BAVARIAN ELECTIONS. IN ADDITION, THE THIRD POWER BROKER IN THE SPD TRIUMVIRATE, FRAKTION LEADER WEHNER, DOES NOT WORK IN VERY CLOSE HARMONY WITH HIS TWO COLLEAGUES (WEHNER'S POSITION HAS BEEN SOMEWHAT WEAKENED BY THE SCANDALS SURROUNDING HIS PROTEGE WIENAND.) FURTHER, THE PROBLEM OF COPING WITH THE LEFT WING OF THE PARTY, ESPECIALLY THE JUSOS, HAS YET TO BE RESOLVED. BRANDT HAS NOT JOINED SCHMIDT IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 19240 02 OF 03 141117Z

ATTACKING THE LEFT WING, ALTHOUGH IT IS GENERALLY AGREED THAT SUCH AN ATTACK WOULD HELP THE PARTY AMONG GERMAN VOTERS. IT IS SPECULATED THAT BRANDT'S RELUCTANCE TO ATTACK THE LEFT IS BECAUSE HE DOES NOT WANT TO WEAKEN HIS SUPPORT FROM THAT GROUP IN THE PARTY SHOULD HE MAKE ANOTHER BID FOR NOMINATION AS THE CHANCELLOR CANDIDATE.

4. 1975 LAND ELECTIONS: THERE ARE SIX LAND ELECTIONS SCHEDULED FOR 1975 AND ONE FOR 1976. OF THESE, THE MAY 4 ELECTION IN NORTH RHINE-WESTPHALIA IS THE MOST IMPORTANT TO THE SPD, BOTH BECAUSE OF ITS DENSELY POPULATED INDUSTRIAL COMPLEXION AND BECAUSE A REJECTION OF THE SPD IN THIS TRADITIONAL STRONGHOLD WOULD (ON TOP OF THE RECENT ELECTION DEFEATS) DAMAGE THE PARTY TO SUCH A DEGREE THAT IT WOULD BE EXTREMELY DIFFICULT TO RECOUP IN TIME FOR THE BUNDESTAG ELECTIONS THE FOLLOWING YEAR. THE STATE OF THE ECONOMY, PARTICULARLY THE UNEMPLOYMENT RATE WILL BE AN IMPORTANT FACTOR IN SETTING THE PSYCHOLOGICAL CLIMATE FOR THE NRS ELECTIONS. THE NORTH RHINE-WESTPHALIAN SPD IS RUN BY HEINZ KUEHN, DEPUTY NATIONAL SPD LEADER, WHO IS A TOUGH AND CLEVER POLITICIAN. HIS OPPONENT, CDU LEADER HEINRICH KOEPPLER, IS CONSIDERED GENERALLY TO BE WEAK. THEREFORE, IN TERMS OF PERSONALITIES, THE SPD HAS AN ADVANTAGE. IN ADDITION, A DROP IN SEASONAL UNEMPLOYMENT, THE REFLATIONARY EFFECTS OF THE LARGE BUDGET DEFICITS AND THE TAX REFORM MEASURES SCHEDULED FOR IMPLEMENTATION AT THE BEGINNING OF 1975 COULD IMPROVE THE VOTERS' EXPECTATIONS FOR IMPROVEMENT OF THE ECONOMIC SITUATION. THE QUESTION IS IF KUEHN WITH ASSISTANCE FROM BONN, CAN BUCK THE RECENT TIDE OF CDU VICTORIES. THE OTHER ELECTIONS ARE ALSO IMPORTANT. IN THREE OF THE LAENDER (INCLUDING NRW), THE SPD, EITHER ALONE OR TOGETHER

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 19240 03 OF 03 141126Z

11

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 CEA-01

SAJ-01 /083 W

----- 065597

R 141107Z DEC 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6829

INFO USMISSION USBERLIN

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

AMEMBASSY BERLIN

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LONDON

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

LIMITED OFFICIAL USE SECTION 03 OF 03 BONN 19240

WITH THE FDP, IS IN POWER AND THREE ARE PRESENTLY  
GOVERNED BY THE CDU. IT WILL BE NECESSARY TO  
MAINTAIN THE PRESENT BALANCE OR THE CDU MAJORITY  
WILL BE STRENGTHENED IN THE BUNDESRAT, WHICH COULD  
ALSO INCREASE THE DIFFICULTIES FOR THE SOCIAL-  
LIBERAL COALITION IN ACCOMPLISHING ITS LEGISLATIVE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 19240 03 OF 03 141126Z

PROGRAMS. PSYCHOLOGICALLY, SERIOUS LOSSES IN THE OTHER LAENDER COULD ALSO HAVE A SNOW-BALLING EFFECT ON THE FORTUNES OF THE SPD NATIONALLY.

5. CONCLUSION: ALTHOUGH SCHMIDT'S POLITICAL PROBLEMS ARE SERIOUS IT IS MUCH TOO EARLY TO WRITE OFF HIS OR THE SPD'S CHANCES FOR SUCCESS IN NRW IN 1976. MANY OF HIS PROBLEMS ARE SOLUBLE AND HE IS TOUGH MINDED, INTELLIGENT AND DECISIVE. WHILE SOME OF THE PROBLEMS, SUCH AS THE WORLD ECONOMY WHICH IS SO IMPORTANT TO THE EXPORT-ORIENTED GERMAN ECONOMY ARE BEYOND HIS CONTROL, SCHMIDT IS CONSIDERED BY THE PUBLIC TO BE A DECISIVE AND STRONG LEADER (A KEY FACTOR FOR BEING SUCCESSFUL IN GERMAN POLITICS). SHOULD HE GIVE THE APPEARANCE THAT HE AND HIS GOVERNMENT WILL BE ABLE TO COPE WITH THE ECONOMIC AND POLITICAL PROBLEMS AHEAD, HE COULD CARRY THE PARTY TO VICTORY. HE HAS THE ADVANTAGE OF INCUMBANCY AND HIS OPPONENT WILL NOT BE NAMED BY THE CDU UNTIL NEXT SPRING. AN IMPORTANT ADDITIONAL FACTOR IN THE CHANCELLOR'S FAVOR IS THAT THERE IS NO ONE AMONG THOSE MENTIONED AS POSSIBLE CDU CANDIDATES, WITH THE EXCEPTION OF FRANZ JOSEF STRAUSS, WHO IS AS STRONG A PERSONALITY AS SCHMIDT.

6. AS FOR THE INTERNAL PARTY SITUATION, SPD POLITICIANS REALIZE THAT THEY MUST WIN THE BATTLES AHEAD IN ORDER TO REMAIN IN POWER AND THIS REALIZATION SHOULD HAVE A UNIFYING EFFECT ON THE PARTY. THESE FACTORS ARE WORKING IN SCHMIDT'S FAVOR, BUT THE FACT REMAINS THAT HE AND THE PARTY HAVE THEIR WORK CUT OUT FOR THEM IF THEY ARE TO BUCK THE PRESENT POLITICAL TREND. HILLENBRAND

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, POLITICAL SITUATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 DEC 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN19240  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740364-0153  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741234/aaaabdam.tel  
**Line Count:** 373  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 APR 2002 by boyleja>; APPROVED <28 MAR 2003 by CunninFX>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CHANCELLOR SCHMIDT'S DOMESTIC POLITICAL PROBLEMS  
**TAGS:** PINT, GE, (SCHMIDT, HELMUT)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005